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CENTRAL INTELLIGENCE AGENCY

INFORMATION REPORT

REPORT NO.

CD NO.

COUNTRY China/Korea

DATE DISTR. 3 August 1951

SUBJECT Background of the Cease-Fire Proposal

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THE FOLLOWING REPORT WAS PREVIOUSLY

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1. The cease-fire talks, though initiated in the name of the Soviets, were in fact motivated by the Chinese, since the rank and file in the Chinese Government have split in two as a result of the severe mauling their forces have received in Korea. One faction is headed by CHOU En-lai and is supported by LIU Po-cheng, commanding officer of the 2 Field Army, and HSU Hsiang-ch'ien, chief of staff of Chinese Communist forces; the other is headed by LIU Shao-ch'i and is supported by LI Li-san and LIN Piao. MAO Tse-tung, who has always been middle-of-the-road, favors CHOU's faction; at MAO's suggestion the USSR, compelled by the situation, made the proposal.
2. MAO has agreed to accept without question all decrees from Moscow in return for Soviet sponsorship of the cease fire in Korea. Most Peiping leaders agree that a continuation of the war would lead to a collapse within five months, unless Moscow sends more planes, tanks, and guns; but the USSR is not in a position to do so for fear of provoking a general war.
3. PENG Te-huai was chosen to head the Korean fighting because he was trusted by MAO. TENG Hua has been top man in Korea since the departure of LIN Piao early in 1951.
4. In Peiping MAO has regained much of his prestige lost during his struggle with Moscow over enforcement of his "New Democracy" program, a very mild form of socialism. He is now in favor of more active rearmament and ruthless suppression of opposition within the country.
5. The cease fire was to have been proposed in May, but was postponed for further

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consideration until the anniversary of the war. The Chinese and Soviets seek the cease fire because of heavy Chinese losses and criticism by some Chinese leaders who want more planes, tanks, and guns. The Chinese would have faced an economic collapse if the war had dragged on for three more months under present conditions.

6. After the cease fire is concluded the Chinese Communists will prepare for an invasion of Chiumen and later Taiwan.
7. PENG Te-huai is commander of the Chinese volunteers in Korea in name only; he was chosen because he is next to CHU Te in seniority.

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